

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re	:	Involuntary Chapter 7
	:	(Motion to Convert to Chapter 11 Pending)
RALPH ESMERIAN,	:	Case No. 10-12721 (RDD)
	:	
Debtor.	:	
	:	
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**AFFIDAVIT OF RALPH ESMERIAN IN SUPPORT OF MOTIONS
TO CONVERT TO CHAPTER 11 AND FOR APPOINTMENT
OF EXAMINER WITH EXPANDED POWERS**

STATE OF NEW YORK)
) ss:
COUNTY OF NEW YORK)

Ralph Esmerian, being duly sworn, deposes and says:

1. I am the debtor in the within bankruptcy case, which was commenced involuntarily under chapter 7, and which I have moved to convert to chapter 11 and for an order for relief under chapter 11.

2. I am also the principal of R. Esmerian Inc. ("REI"), which is also a debtor in a related bankruptcy case, case no. 10-12719 (RDD). REI's case was also commenced involuntarily under chapter 7, and REI has also moved to convert its case to chapter 11.

3. I submit this Affidavit in support of my motions to convert to chapter 11 and for the appointment of an examiner with expanded powers.

4. I am not engaged in business as an individual. My principal source of income is as the president of REI. REI's principal place of business is 610 Fifth Avenue, New York, New York 10020. REI is a wholesale jeweler of rare and high quality jewelry. Over the years that I have been in the jewelry business through REI, I have personally acquired a quality art collection, consisting of paintings, photographs, sculpture, decorative arts, and manuscripts.

Maximizing the value of this collection is critical to maximizing the value of the recovery to my creditors.

5. My debts are not primarily consumer debts. Rather, they were incurred in connection my acquisition of a controlling interest in a prominent retail jeweler known as Fred Leighton, the holding company of which, Fred Leighton Holdings Inc. (“FLHI”), together with other related companies, became a chapter 11 debtor in this Court. As a result of the confirmation of the FLHI plan, I no longer have any ownership relationship with the liquidating estate of FLHI. Nor do I have any ownership relationship with the entity that acquired the business assets of FLHI.

6. Although, as stated above, my bankruptcy case was commenced involuntarily under chapter 7, I desire to proceed in chapter 11 to negotiate with my creditors with the hope of achieving a confirmable chapter 11 plan that would maximize the recovery for my creditors, and enable me to obtain the greatest fresh start available under the Bankruptcy Code. In this regard, I believe that my knowledge, experience and connections in the art market will greatly assist in the process of maximizing value.

7. Many of the FLHI-related debts are the subject of litigation. In such litigation, accusations of improprieties have been made against me. I acknowledge that the existence of these allegations makes the issue of the integrity of a chapter 11 case of paramount concern. For this reason, I have negotiated, through counsel, with the petitioning creditors for a mechanism that, subject to this Court’s approval, will allow my to be a chapter 11 debtor in possession, while at the same time, have another fiduciary, an examiner with expanded powers, to be accountable for the property of my estate, and to provide all necessary reports to the Court,

the United States Trustee and the creditors, concerning the administration of the estate, and even to report on me, if I engage in any questionable conduct as a debtor in possession.

8. It is my hope that this approach will allow for a smooth-functioning chapter 11 case, with an examiner to investigate, be accountable for property, and render all necessary reports, and for me to use my knowledge, experience and connections in the art market to maximize the value of the estate, and to negotiate a confirmable chapter 11 plan.

WHEREFORE, I respectfully request that the Court approve the conversion of the case to chapter 11, and the appointment of an examiner with expanded powers.

/s/ Ralph Esmerian

Ralph Esmerian

Sworn to before me this
9th day of July, 2010

/s/ Jane F. Zaletofsky

Notary Public

JANE F. ZALETOFSKY
Notary Public, State of New York
No. 01ZA5071317
Qualified in New York County
Commission Expires January 6, 2011